

SENATE FINANCE COMMITTEE

May 3, 2021

9:03 a.m.

9:03:08 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof (via teleconference)
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Adam Wool, Sponsor; Ashley Carrick, Staff, Representative Wool; Senator Peter Micciche, Sponsor.

PRESENT VIA TELECONFERENCE

Teri Cothren, Associate Vice President, Workforce Development, University of Alaska; Doug Walrath, Director, Northwestern Alaska Career and Technical Center, Nome; Anna Brawley, Title IV Review Coordinator, Agnew Beck Consulting, Anchorage; Lee Ellis, President, Brewers Guild of Alaska, Anchorage.

SUMMARY

SB 9 ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

SB 9 was HEARD and HELD in committee for further consideration.

CSHB 69(FIN)am

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 69(FIN)am was SCHEDULED but not HEARD.

CSHB 71(FIN)

APPROP: MENTAL HEALTH BUDGET

CSHB 71(FIN) was SCHEDULED but not HEARD.

HB 100 EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

HB 100 was HEARD and HELD in committee for further consideration.

#hb100

HOUSE BILL NO. 100

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

[9:03:54 AM](#)

Co-Chair Bishop noted that the committee would hear HB 100 for the first time and intended to set the bill aside.

[9:04:22 AM](#)

REPRESENTATIVE ADAM WOOL, SPONSOR, discussed HB 100, which proposed a three-year reauthorization of the Technical Vocational Education Program (TVEP). The program used .16 percent of unemployment insurance receipts and provided grants around the state to many technical vocational education programs. The total of the grant was approximately \$12 million and impacted thousands of students. The largest recipient was the University of Alaska (UA), which received 45 percent of the receipts, which it distributed to various campuses around the state. Other colleges and programs that received the funding included the Alaska Vocational Technical Center (AVTEC) in Seward, Alaska Technical Center in Kotzebue, and Iligsavik College in Utqiagvik. He noted that the bill had been unchanged in the other body. The program recipients and funding amounts had remained unchanged since 2014.

[9:06:23 AM](#)

ASHLEY CARRICK, STAFF, REPRESENTATIVE WOOL, discussed the presentation "Technical Vocational Education Program (TVEP) Re-Authorization" (copy on file).

Ms. Carrick looked at slide 2, "TVEP Program History":

- Established under AS 23.15.830
- Created in 2000 to provide noncompetitive grant assistance to education entities in Alaska that delivered specific vocational/ technical training.
- In 2014, the Legislature increased the amount of funds diverted to TVEP from 0.15% of unemployment insurance to 0.16%.
- HB 100 seeks to re-authorize the program for another 3 years.

Ms. Carrick spoke to slide 3, "Types of Training":

TVEP Recipients Offer

- Aviation
- Fisheries
- Construction
- Renewable Energy
- Mining
- Information Technology
- Transportation
- Health Care
- Other Vocational Training

Ms. Carrick referenced slide 4, "How TVEP Funding Gets Distributed," which showed a flow chart. She noted that the unemployment insurance receipts were drawn from the employee portion of checks and then diverted to the State Training and Employment Program (STEP) and TVEP.

Ms. Carrick turned to slide 5, "TVEP Recipients Over Time":

In 2000:

University of Alaska: 52%

Kotzebue Training Center: 16%

Alaska Vocational Technical Center: 32%

In 2001:

University of Alaska: 63%

Kotzebue Training Center: 11%

Alaska Vocational Technical Center: 22%

Galena Project Education Training Center: 4%

In 2004:

University of Alaska: 55%
Kotzebue Training Center: 11%
Alaska Vocational Technical Center: 22%
Galena Project Education Training Center: 4%
Southwest Alaska Vocational Education Center: 4%
Yuut Elitnaurviat, Inc., People's Learning Center: 4%

Ms. Carrick considered slide 6, "TVEP Recipients Over Time Cont.":

In 2008:

University of Alaska: 45%
Kotzebue Training Center- Alaska Technical Center: 9%
Alaska Vocational Technical Center: 17%
Galena Project Education Training Center: 4%
Southwest Alaska Vocational Education Center: 3%
Yuut Elitnaurviat, Inc., People's Learning Center: 9%
Delta Career Advancement Center, Partners for Progress Delta, Inc.: 3%
Amundsen Educational Center: 2%
Northwestern Alaska Career and Technical Center: 3%
University of Alaska Southeast: 5%

Ms. Carrick displayed slide 7, "Current TVEP Recipients":

In 2014 and again in 2017:

Statewide: University of Alaska: 45%
Kotzebue: Alaska Technical Center: 9%
Seward: Alaska Vocational Technical Center: 17%
Galena: Galena Project Education Training Center: 4%
Dillingham: Southwest Alaska Vocational Education Center: 3%
Bethel: Yuut Elitnaurviat, Inc., People's Learning Center: 9%
Delta: Partners for Progress Delta, Inc.: 3%
Kenai: Amundsen Educational Center: 2%
Nome: Northwestern Alaska Career and Technical Center: 3%
Utqiagvik: Illisagvik College: 5% (Added in 2014)

[9:10:08 AM](#)

Ms. Carrick highlighted slide 8, "TVEP Distributions," which showed a chart. She drew attention to the far-right column, which showed proposed distributions for FY 22. She

explained that even with the fluctuations during COVID-19 the previous year and draws from unemployment, there had been a relatively stable source of funding for TVEP recipients.

Ms. Carrick addressed Section 1 of the bill, which extended the program reauthorization date to 2024. Section 1 also included the list of ten recipients and the percentages of funding distribution. She continued that Section 2 of the bill contained a retroactivity clause and Section 3 included an effective date.

Senator Hoffman recalled that there was a termination clause in the original program, and that the program had been reauthorized numerous times. He thought the success of the program was evident. He asked if the sponsor had considered extending or removing the sunset date to create a permanent program.

Representative Wool relayed that Senator Hoffman's question had come up in the House Finance Committee as well. He thought the reauthorization period allowed for time to examine the list of funding recipients, which had not changed in six or seven years. He thought the question was whether the recipients should be locked in indefinitely and pondered whether the funding numbers should be permanent.

Senator Wielechowski asked for an easily identifiable list of participants at each institution and the number of students that had successfully completed the program.

Ms. Carrick thought that the information was in the TVEP annual report.

9:14:06 AM

AT EASE

9:14:55 AM

RECONVENED

Senator Wielechowski pointed out that the information was contained in the TVEP annual Report (copy on file). There was information on page 2 and performance data on page 6.

Co-Chair Bishop suggested that the next time the bill was heard the committee could invite the Department of Labor and Workforce Development (DOL) to address the topic.

Senator Wilson recalled that a previous bill had included consideration of the constitutionality of TVEP funding and referenced a letter from the Legislative Legal Department. He wondered if the sponsor had received a memo regarding the constitutionality of some of the vocational rehabilitation programs that were privately funded.

Representative Wool was not aware of the constitutionality of funding for private institutions versus public institutions.

Ms. Carrick relayed that in having the bill drafted, the sponsor and staff had not received any advice regarding the constitutionality of the proposed funding.

Senator Wilson wanted a clear definition regarding the constitutionality of the TVEP, the Alaska Scholars Program, and others. He was concerned about the challenges that could arise by funding the programs.

Senator von Imhof observed that two percent of the allocation went to the Amundsen Education Center (AEC), which was a faith-based non-profit educational and vocational training school located in Soldotna. She thought the term "faith-based" indicated there was a religious component to the organization, which she thought could be unconstitutional. She was curious as to why the public funds were going to a faith-based organization.

Representative Wool stated that the question had come up before regarding the efficacy of the program in Soldotna, but no one had raised strong objection to the school since. He thought there was public and private institutions on the list of grant recipients. He stated he could work with the Legislative Legal Department to gather more information on the topic.

Senator Olson appreciated the intent of the bill. He wanted to address the AEC, which had done a great deal of outreach to people in his district. He was in support of the educational outreach and thought the program was successful.

Co-Chair Bishop commented that TVEP was a good program.

[9:19:47 AM](#)

TERI COTHREN, ASSOCIATE VICE PRESIDENT, WORKFORCE DEVELOPMENT, UNIVERSITY OF ALASKA (via teleconference), spoke in favor of the bill, which would provide critical funding for short-term career and technical education programs across the state. She asserted that the program would support the state's economic recovery by re-scaling and up-scaling Alaskans for employment.

Ms. Cothren spoke to highlights from the presentation "University of Alaska Technical Vocational Education Program, " (copy on file). As a TVEP recipient, UA used its funds as a single allocation within the system. The program was administered through a competitive request for fund proposal or grants process. The program provided industry-specific, on-the-job, and classroom training that addressed high demand and regional workforce needs. She thought the program increased collaboration and was responsive to industry.

Ms. Cothren cited that UA utilized TVEP to train 4,320 Alaskans in FY 20 for jobs in mining, oil and gas, fisheries, seafood, maritime, construction, Internet Technology, health, aviation and more. She cited that in FY 20 the average cost per participant among all TVEP recipients was \$1,349. The University had averaged a cost of \$1,300 per participant, with nearly 78 percent being employed following training. Some programs had as much as 89 percent employment in the state after graduation with increased wage growth. She listed successes in the certified nurse's assistant program.

[9:22:47 AM](#)

Senator Wielechowski considered the numbers cited and thought the average per participant at the AEC was \$11,890. He wondered why the amount was so much higher than the other educational centers.

Representative Wool thought the numbers were calculations of how much funding the institution received divided by the number of graduates, and the AEC had a low number of graduates. He pondered that the program reauthorization was an opportunity to examine the numbers and make changes if needed. He did not have historical data on the center and thought bigger institutions would have better average numbers.

Senator von Imhof looked at page 6 of the TVEP annual report, which had performance measurements. She saw that various post-program employment rates ranged from 45 percent to 63 percent, rather than the 80 percent or 90 percent she had heard.

Co-Chair Bishop affirmed that the AEC was showing an 86 percent employment rate after 12 months.

Senator von Imhof commented that if the state was giving public money to a religious institution, it should be consistent across all sectors including K-12 education.

9:26:13 AM

Senator Wielechowski looked at page 2 of the TVEP annual report, which indicated that the center was getting \$249,700, which equated to \$11,890 per participant compared to the average of near \$1,300. He acknowledged that the success rate of the center was good but thought it was a good topic for evaluation.

Co-Chair Bishop thought it would be helpful to include DOL in the future discussion, and the department could talk about the specific careers that participants were being trained for.

Senator Olson thought the success rate was more important to consider than to ponder questions of constitutionality. He thought the matter had been addressed. He was concerned that there was not as much emphasis on the success rate of the Amundson Center as compared to some other institutions.

Senator von Imhof asked if there was any funding going to the Kenai Peninsula College (KPC). She understood there was a technical center in Nome and asked how it was faring.

Ms. Cothren detailed that there was funding that went to KPC as well as its Kachemak Bay Campus in Homer. Currently the funding went towards a technical program as well as some health programs.

Co-Chair Bishop added that the KPC was also home to Mining Training and Petroleum Institute. He noted there were different segments in UA that performed better than others.

The mining industry employed 88 percent of the graduates out of the mining training program.

Senator von Imhof asked about the Northwest Alaska Career and Technical Center in Nome. She noted there were 31 students that attended in 2020. She asked how the students fared and if was a good place to stay versus in Soldotna. She wondered what was being offered in Soldotna that was not offered in Nome.

Co-Chair Bishop thought there was invited testimony that could address Senator von Imhof's question.

9:30:46 AM

DOUG WALRATH, DIRECTOR, NORTHWESTERN ALASKA CAREER AND TECHNICAL CENTER, NOME (via teleconference), supported the reauthorization of the TVEP funding. He thought the program provided autonomy and flexibility to meet the unique needs of each regions priority industries. He mentioned in-region workforce development and sued healthcare training as an example of a top priority. The Norton Sound Health Corporation was the largest regional employer in the Nome census area. The corporation provided dual-credit high school training, and industry certification, which transitioned high school students into healthcare jobs.

Mr. Walrath continued that Nome was poised for several large projects addressing national interests. He mentioned a \$379 million appropriation for an Arctic deep draft port in Nome. In January, the federal government had designated a high priority infrastructure project 40 miles from Nome involving a graphite deposit. He mentioned driver education training and cuts that had eliminated the Nome Division of Motor Vehicles (DMV) office. The career and technical center in Nome provided the only adult and high school driver education training and was a DMV-approved road tester in the region.

Mr. Walrath addressed Senator von Imhof's question regarding leaving the region for training. He discussed the importance of getting a driver's license. He thought it was critically important to make early outreach to develop a technically skilled workforce.

Senator von Imhof appreciated the explanation from Mr. Walrath and understood there were specialty locations

around the state. She mentioned ship piloting in Seward. She asked about the use of program funds in high schools and wondered if it was appropriate. She wondered if the program funding was comingling with Department of Education and Early Development funds. She understood vocational technical training started in the high school years and asked if TVEP had traditionally funded high school students as opposed to adults.

[9:34:51 AM](#)

Senator Olson thought exposure to vocational education opportunities was important for high school students. He discussed continuing education after high school without a break and the importance of exposure to vocational education. He asked Mr. Walrath about the 35 percent employment achievement at the center in Nome as opposed to some other programs.

Mr. Walrath noted that across all TVEP recipients, there was a population of both adults and high school students served. He acknowledged there was disparity and thought one could see the impact of local decision-making. He cited a research study from 2009 that indicated that prior to TVEP, the graduation rate in the Bering Straits region averaged about 38 percent. He asserted that TVEP had engaged students and kept them in school on a graduation pathway. He discussed engaging courses that led to health care jobs such as certified nurse's aide (CNA). He thought the percentage of employment was lower as the number of high school program participants was higher. He discussed the increase in graduation rate. He thought the impact was profound based on the small investment.

Mr. Walrath added to Senator Olson's remarks about getting high school students through training and participants engaging in continuing education in the summer right after high school as opposed to waiting.

[9:38:30 AM](#)

Senator Olson considered that the previous year had been complicated by the COVID-19 pandemic, and asked what Mr. Walrath expected for participation the following year in the district.

Mr. Walrath cited the TVEP report, and the impacts of the pandemic as shown in participation numbers for the year. He thought looking at data from the prior three years would be more accurate. He mentioned sending instructors to villages and hoped the numbers would climb the following year.

Co-Chair Bishop commented that the state was on the precipice of benefitting from an eight-year federal infrastructure bill. He thought it was good timing for the committee to consider HB 100 because the infrastructure work would call for an increased workforce. He was thankful that there was a workforce delivery system in place to meet the demand.

Senator Olson pointed out that Nome deep port projects seemed to be progressing. The majority of funding had been secured from federal sources. He anticipated a fair amount of construction in the Nome area in the following seven to eight years.

Senator von Imhof thought TVEP was an excellent program that she fully supported and agreed with Co-Chair Bishop regarding training the next generation of the workforce. She wanted to ensure that the program was being used as intended. She had received emails that pondered whether the program funding was being used as intended and spent on workforce development. She thought an audit or deeper dive could provide information on details. She pondered competing programs. She offered to forward the comments on to Co-Chair Bishop.

[9:42:56 AM](#)

Co-Chair Bishop OPENED and CLOSED public testimony.

Co-Chair Bishop mentioned there was an amendment deadline for Wednesday, May 5 at 5:00 o'clock p.m.

HB 100 was HEARD and HELD in committee for further consideration.

[9:43:18 AM](#)

AT EASE

[9:46:30 AM](#)

RECONVENED

#sb9

SENATE BILL NO. 9

"An Act relating to alcoholic beverages; relating to the regulation of manufacturers, wholesalers, and retailers of alcoholic beverages; relating to licenses, endorsements, and permits involving alcoholic beverages; relating to common carrier approval to transport or deliver alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to offenses involving alcoholic beverages; amending Rule 17(h), Alaska Rules of Minor Offense Procedure; and providing for an effective date."

9:46:30 AM

Co-Chair Bishop relayed that the committee was hearing SB 9 for the first time and would consider the bill and then set it aside.

9:47:04 AM

SENATOR PETER MICCICHE, SPONSOR, discussed the bill. He reminded that the bill had passed the Senate twice. He emphasized that the legislation was a collaborative, year's long effort from a large group of stakeholders. He estimated that there was about 16,000 hours invested in the bill. He listed stakeholders including public safety, public health, the industry, the Alcohol and Marijuana Control Office (AMCO) Board, the Alcoholic Beverage Control (ABC) Board, and the legislature.

Senator Micciche relayed that stakeholders had worked together to meet the goals of Title IV in promoting a fair business climate, protection of public health and safety, limiting youth access to alcohol, promoting responsible alcohol use and reducing the harms of over-consumption, implementing change without negatively harming existing businesses and responsible operators, and expanding local control for municipalities.

Senator Micciche noted that key concepts of the bill were: sticking with a three-tier system to prevent inappropriate monopolies, licensure restructure with clearly defined categories, and regulating the number of licenses available in each community by type. He emphasized that the bill was about balance, reorganization, and fairness. He noted that

90 percent of the bill proposed to reorganize existing statute.

Senator Micciche identified that not every bar owner supported the bill, but the Alaska Cabaret, Hotel, Restaurant and Retailers (CHARR) Association did support the bill. He noted that not every manufacturer supported the bill, but the Alaska Brewers Guild did support the bill. He thought the Department of Public Safety wanted the bill to be stricter, but Recover Alaska, the Alaska State Troopers, and the Public Safety Employees Association supported the bill because of the balance that had been struck between. He thought the bill was important for economic recovery in the industry. He emphasized that although alcohol was the number one substance abuse problem in the state, it was also an important industry. He asserted that the bill improved public safety and provided tools for the industry to be successful.

[9:50:42 AM](#)

ANNA BRAWLEY, TITLE IV REVIEW COORDINATOR, AGNEW BECK CONSULTING, ANCHORAGE (via teleconference), discussed the presentation "Alcoholic Beverage Control (ABC) Board Title 4 Review Project - Overview of Senate Bill 9" (copy on file).

Ms. Brawley advanced to slide 5, "Goals of Title 4 Review Process":

A comprehensive, systems-level review, and a series of compromises to make Title 4 work better for everyone.

Promote a fair business climate and protect public health and safety.

1. Create rational regulation for all tiers of the state's alcohol industry.
2. Limit youth access to alcohol, while ensuring youth are not criminalized
3. Promote responsible alcohol use and reduce the harms of overconsumption.

Make Title 4 a clear and consistent legal framework.

1. Increase swiftness, proportionality and consistency of penalties.
2. Increase local law enforcement of Title 4.

3.Increase licensee accountability before the ABC Board for Title 4 violations

Ms. Brawley thought the goal of the bill was to strike a balance and have the state's alcohol laws work better for everybody.

Ms. Brawley showed slide 6, "Categories of Recommendations":

- 1.Alcohol Licenses, Permits and Trade Practices
- 2.Role and Functions of the ABC Board and Staff
- 3.Underage Drinking and Youth Access to Alcohol
- 4.Regulation of Internet Sales of Alcohol
- 5.Technical or Administrative Law Changes
- 6.Local Option Communities

**Note: Local Option recommendations are documented in the report, but not included in SB 9. More comprehensive discussion of Local Option laws is needed in the future.6

Note: all section references current to SB 9 ver. I, 4-14-21

Ms. Brawley discussed slide 7, " The 3-Tier System":

Alcohol must be manufactured, distributed and sold to the public by different businesses. This is designed to prevent monopolies.

Ms. Brawley stated that slide 7 was a general overview of how the state managed alcohol. There was a flow chart showing the three tiers: manufacturing, wholesale, and retail. She mentioned that much of the bill discussion had pondered how to keep the system in place but be more flexible and respond to how the current system operated.

Ms. Brawley spoke to slide 8, "Alaska's Liquor License System: Proposed Changes," which showed a graph flow chart. She noted that the next three slides were part of a graphic that illustrated how SB 9 reorganized existing licenses so that they were easy to understand. The licenses would follow the general organization of the three-tier system and would offer more options for businesses such as endorsements.

Ms. Brawley looked at slide 9, "Alaska's Liquor License System: Proposed Changes." The graphical chart showed the types of retail licenses that served the public, such as bars, package stores, and restaurants. She explained that most already existed in law save for a few new licenses being proposed that she would address in a later slide.

Ms. Brawley showed slide 10, "Alaska's Liquor License System: Proposed Changes." The graphical chart showed the retail tier licenses. She thought it was important to understand that there were licenses specifically responding to the fact that the state had a strong tourism and hospitality sector. The licenses were not tied to population limits and were designed to serve visitors to a community. Some of the licenses already existed and were more options proposed in the bill.

[9:54:09 AM](#)

Ms. Brawley addressed slide 11, "Proposed: More Retail Options for Manufacturers," which showed a flow chart. She explained that the slide was an example of how the bill was proposing more flexibility. She noted that currently a brewery would have one license that allowed it to make beer and sell it to the public on a limited basis. The bill proposed more options for the businesses to be able to own a bar, a restaurant, or package store, which was not currently allowed. She mentioned a "brewpub" business model as opposed to a limited retail space.

Ms. Brawley reviewed slide 12, "Proposed: Manufacturer Sales Limits by Product Type," which showed a graphical chart of onsite sales versus offsite sales for brewery, winery, and distillery retail. The slide illustrated what was already in the law and clarified how much each limited retail license allowed for serving.

Ms. Brawley spoke to slide 13, "Proposed: Endorsements on Licenses":

Add endorsements to existing licenses, giving businesses flexibility in how to operate, without creating more specific license types.

BASE LICENSE

ENDORSEMENTS - Expanded activities and/or premises to fit business model

Endorsements would allow sampling on premises, multiple bar rooms, deliveries by package stores, etc.

Section 13, 04.09.400; endorsements defined in 04.09.410 - .520

Ms. Brawley explicated that rather than creating a new license type for every single business model, the bill proposed to allow more flexibility by adding endorsements to licenses. She used the example of allowing for a larger premises or allowing sampling not allowed under the base licenses. She thought licenses had been expanded in inconsistent ways in the past and that endorsements would allow more options.

Ms. Brawley spoke to slide 14, "Proposed Endorsements":

- R-7A | Bowling Alley Endorsement
- R-7B | Package Store Shipping Endorsement
- R-7C | Package Store Delivery Endorsement
- R-7D | Package Store Re-Packaging Endorsement
- [R-1] Multiple Fixed Counter Endorsement
- [R-1] Hotel/Motel Endorsement
- [R-1] Large Resort Endorsement
- [R-3] Package Store Sampling Endorsement
- [M-1] Brewery Repackaging Endorsement

Ms. Brawley noted that many of the proposed endorsements were already in law but were not standardized nor easily added to a license.

Ms. Brawley referenced slide 15, "Proposed: Limited Free Samples for Package Stores":

- In current title 4, Package Stores cannot allow any consumption on premises
- the bill would allow small free samples, with a Package Store Sampling Endorsement
- Ounce limits defined as: "Any combination of products, not to exceed the alcohol equivalent of any single product type"
- Ex: Customer A chooses 12 oz. beer. Customer B chooses 6 oz. cider and 3 oz. wine. Customer C chooses 2 oz. wine, and 4 oz. beer.

Ms. Brawley looked at slide 16, " R-7 Standardize Permits":

- Unlike licenses, permits are typically issued for single events, on or off licensed premises.
- Define all permit types in statute, not just in regulation
- Fee for all permits is \$50 per event day
- Most permits listed are already in statute or regulation
- New permit: Tasting Event Permit, allowing a Package Store to host an event on premises

Section 13, 04.09.600; permits defined in 04.09.610 - .690

Ms. Brawley showed slide 17, "Proposed Permits":

- R-7F | Beverage Dispensary Caterer's Permit (AS 04.11.230; 3 AAC 304.685)
- R-7G | Restaurant Caterer's Dining Permit (3 AAC 304.680)
- R-7H | Club Caterer's Permit (3 AAC 304.690)
- R-7I | Nonprofit Event Permit (AS 04.11.240)
- R-7J | Art Exhibit Permit (3 AAC 304.697)
- R-7K | Alcoholic Beverage Auction Permit (3 AAC 304.699)
- R-7L | Inventory Resale Permit (Retail Stock Sale License, AS 04.11.200)
- R-7M | Package Store Tasting Event Permit (proposed)
- [2020] | Music Festival Permit (proposed)
- [2020] | Live Music & Entertainment Permit (proposed)

Section 13, 04.09.600; permits defined in 04.09.610 - .690

Ms. Brawley noted that some of the listed permits were held by licensees, and others were held by non-profits. The bill proposed to reorganize what was allowed.

Ms. Brawley reviewed slide 18, "Proposed: Package Store Tasting Event Permit":

- Allows a package store to host a special tasting event on its own premises, with onside consumption of alcohol for those attending event.

- The event may be in the store or another area of their property, such as a special event space. it may not be held in an offsite location.
- Licensees can only offer products in their inventory.

Hosting license

- Event may last up to 4 hours, and must end by 9 p.m.
- Must also serve food
- Each license can host 6 events per year in the same community as the license is located

Ms. Brawley spoke to slide 19, "Population Limits: Current Title 4 (AS 04.11.400)":

Population limits determine how many of each license type may be issued in each community.

Restaurants: 1 per 1,500 residents.

All other license types (bars, package stores, golf courses, breweries, etc.): 1 per 3,000 residents.

Some licenses are exempt from population limits: bars located in hotels or airports, restaurants issued for public convenience, and licenses that serve tourists.

Ms. Brawley explained that the next few slides addressed population limits. She communicated that there were exceptions to what was listed on slide 19, specifically for tourism.

[9:58:05 AM](#)

Ms. Brawley addressed slide 20, "Population Limits: Current Title 4 (AS 04.11.400)":

Some license types are exempt from population limits: most exempt license types are designed to serve tourists and travelers, such as hotels or outdoor recreation lodges.

They can be issued if other qualifications are met (ex: minimum number of hotel rooms).

Ms. Brawley commented that the bill did not propose to throw the system out, and that there were health and safety reasons for wanting to limit the number of licenses. She recognized there were existing licensees that bought into the system. The stakeholders had discussed how to allow for more flexibility for small cities with a limited number of licenses.

Ms. Brawley reviewed slide 21, "Proposed Seasonal REPL Tourism":

- Seasonal restaurant license
- Available in smaller communities (< 40,000 pop.)
- Same operating requirements and privileges as full-year restaurants (REPL)
- Number of licenses per community determined by formula:

5-year average of annual visitors/months in season = Average monthly visitor population

Residents + average monthly visitors)/1,500 = Available Seasonal REP Tourism Licenses

- Season defined as up to 6 months per year, in any combination
- Example: May through September + 1 winter month

Section 13, 04.09.360

Ms. Brawley showed slide 22, "Proposed: Covert Public Convenience Licenses and Applications":

Existing Public Convenience licenses would be converted to regular Restaurant or Eating Place Licenses (REPLs).

Public Convenience - Not transferable
REPL - Transferrable to a new owner or location

Applications that have been completed as of the bill's signing date would be converted to applications for regular REPLs, and could be approved by the ABC Board outside the existing population limits.

Public Convenience

Application

REPL - can be approved outside of population limits

Sections 167-169, Transition

Ms. Brawley noted that the application process for converting to restaurants had been cumbersome for all and under the proposed changes would be more streamlined.

Ms. Brawley discussed slide 23, "Proposed: Local Government Petition for Additional Alcohol Licenses," which showed a flow chart of a proposed bill provision that would expand options for licenses in communities. The provision would allow a municipality to prepare a petition for more alcohol licenses in the community. The community could petition the ABC Board for more licenses of a certain type in the jurisdiction. The city would have recourse to revise the application if it was rejected.

Ms. Brawley looked at slide 24, "Proposed: Option to Relocate Some Licenses from a Borough to a City":

- Current Title 4 allows relocation of a bar (BDL) from a borough to a city within that borough.
- The bill proposes also allowing relocation of package stores

Ms. Brawley spoke to slide 25, "Proposed: Regulate Trade Practices":

Some trade practices are illegal in federal law: practices of alcohol manufacturers and wholesalers to compel retailers' buying decisions or stopping them from buying competitors products.

Proposed: add equivalent sections to Title 3, protect retails and allow for state enforcement.

Tied House

Partial ownership of retail license by a manufacturer, to control what products are sold or exclude competitors. Does not apply to 100 percent manufacturer-owned licenses.

Exclusive outlet

Agreement between supplier and retailer to exclude other retailers or suppliers.

Commercial bribery

Supplier pays bonus or provides merchandise in exchange for exclusive arrangement or agreement not to purchase other products.

Consignment sales

Supplier and retailer make deals to take back unsold products.

Section 88, 04.16.017

Ms. Brawley noted that the slide showed things illegal in federal law but that were not enforced. Most states had laws that allowed an agency such as AMCO to enforce the rules. She noted that the manufacturers and wholesalers had brought up the topic with the bill stakeholders.

10:02:00 AM

Ms. Brawley referenced slide 26, "F-1. Adjust License Fees to Reflect Current ABC Budgetary Needs":

- Update license fees according to privileges and administrative costs of each, and collect sufficient revenue to cover the ABC Board's required activities:
 - Administration of licenses & permits
 - Education about Title 4 and related regulations
 - Enforcement of Title 4 and related regulations
- ABC Board required to review license fees at least every 5 years.
- See Appendix, Table 2 of the Title 4 Review report for current license fees and proposed changes.

Section 8, 04.06.090; License fees throughout Section 13

Ms. Brawley noted that the ABC Board and AMCO were receipt-funded agency. The fees had not been changed in many years.

Ms. Brawley spoke to slide 27, "Proposed: More Accountability for License Fees Allocated to Local Governments":

- Current Title 4 allows for local governments to receive an allocation equal to the license fees collected in their area, intended for enforcement of Title 4 and related ordinances.
- Reporting on these activities is required, but not defined in statute. Some jurisdictions report regularly, while others do not.
- The bill includes better reporting and prevention about use of these funds, and requiring reports about education activities as well as enforcement.

Section 81, 04.11.610

Ms. Brawley discussed slide 28, "RB-4. ABC Board as Key Partner for Alcohol Education Efforts":

- The ABC Board and AMCO, subject matter experts on Title 4, would work with other agencies and organizations to develop a coordinated education plan about responsible alcohol use and applicable laws.
- Coordinate with Department of Health and Social Services and other agencies tasked with alcohol-related education.

28 Section 5, 04.06.075; Section 9, 04.06.090

Ms. Brawley showed slide 29, "Internet Sales in Alaska: Few Rules":

- Alaska is one of the only states with no rules for Internet sales of alcohol.
- Alaska Package Stores cannot sell alcohol online, only via (paper) written orders.
- Alaska Wineries and Package Stores can ship wine to customers in some circumstances.
- Without state laws restricting online sales, there are currently no limits on purchases of alcohol online from out-of-state sellers.
- Alaska consumers also do not pay state excise tax on online purchases, as they do on products sold and purchased in state.

Co-Chair Bishop asked if there had been an amendment in the Senate Labor and Commerce Committee that had related to taxation of wine.

Senator Micciche affirmed that there had been such an amendment to the bill, the but the bill had not passed.

Ms. Brawley discussed slide 30, "Proposed: Regulate Internet Alcohol Sales":

- Alaska does not limit online sales of alcohol. Order from out of state businesses are not subject to Alaska's alcohol excise tax, and the state cannot track how much alcohol is ordered each year.
 - The bill would create a Winery Direct Shipment License and allow online alcohol sales only from U.S. wineries and Alaska package stores.
- Alaska customer orders wine online from winery
Wine only: no beer or spirits
 - Winery Direct Shipment Licensee verifies:
 - Is the customer 21 or older?
 - Is customer in a non-Local Option area?
 - Is order within limit for personal use?
 - 6 cases per sale
 - 12 cases per year
 - Common carrier receives, transports and delivers order
 - Carrier verifies customer is 21+, delivers package in person

Section 13, 04.09.370; Section 90, 04.16.022; Section 159, 43.60.060

10:06:04 AM

Ms. Brawley addressed slide 31, "Proposed: Regulate Internet Alcohol Sales":

- Common carriers must be approved by the ABC board to transport and deliver alcohol consumers throughout the state.
- Carriers must demonstrate that they have policies and train employees to properly handle shipments of alcohol.

-Carrier maintains policies:

- Safe alcohol handling
- Delivery to adult, age 21+
- Delivery in-person only

-ABC board reviews and approves carrier for alcohol transport and delivery

-ABC board publishes list of approved carriers

Section 13, 04.09.750

Ms. Brawley looked at slide 32, "Tracking Alcohol orders in Local Option Areas: Current title 4":

Residents in Local Option communities that allow importation of alcohol may order a limited amount of alcohol each month for personal and non-commercial use.

Monthly Importation Limit

- 12 gal. Beer - Or 1 half-barrel (15.5 gal) keg
- 24L wine (32 bottles)
- 10.5 L spirits (14 bottles)

-Alaska customer sends order to package store

-Licensee verifies:

- Is customer 21 or older?
- Has customer met monthly order limit?
- is new order within monthly limit?

-Licensee records new order in ABC Board database

-Access limited to:

- ABC Board
- Package stores
- Law enforcement

-Common carrier receives, transports and delivers order

-Carrier delivers package

Sections 10-12 & 16, 04.06.095; existing monthly limits defined in AS 04.11.010

Ms. Brawley discussed slide 33, "Proposed: Publish Community-Level Data from Local Option Order Database":

- In current Title 4, all data in the Local Option order database is private, and deleted after 1 year.
 - the bill would keep individual order information private, but retain aggregate data for 10 years and allow the ABC Board to publish annual total sales volume by region or community.
 - This valuable information would be available to communities and law enforcement to understand the flow of alcohol into Local Option communities via legal sales.
- Keep community level data 10 years
 - Protect individual order data
 - ABC Board publishes annual data reports

Sections 10-12, 04.06.095

[10:07:17 AM](#)

Senator Wielechowski asked about slide 30, which addressed creating a winery-direct shipment license and would allow online alcohol sales from U.S. wineries and Alaska package stores. He asked about sales from brewing companies and distillers and whether the businesses were allowed to sell online under the bill.

Ms. Brawley indicated that most states had a similar system in which only the shipment of wine was allowed. She understood that UPS and FedEx would not ship products other than wine and required a contact with the winery to be able to ship.

Senator Wilson asked if breweries and distilleries in the state could ship their product. He asked if there were any other group or industry that had expressed interest in shipping products other than wine within the state.

Ms. Brawley did not want to speak for other industries and sectors regarding the provision. She noted that the stakeholder group had not heard opposition to the provision from other industry stakeholders. She thought the law differed by state.

Co-Chair Bishop asked if the bill would allow an Alaskan distiller to sell spirits online to the Lower 48.

Senator Micciche thought there was an invited testifier that could address the question. He stated that he had not heard from any parties that had a business model that resulted in shipping beer or spirits. He knew there were some people in the state that did ship wine to the Lower 48, and under the bill would be able to continue doing so. He reiterated that most states were doing wine only. He mentioned excise taxes for selling within the state.

10:11:07 AM

LEE ELLIS, PRESIDENT, BREWERS GUILD OF ALASKA, ANCHORAGE (via teleconference), addressed shipping out of state. Shipping directly into any state was regulated by the receiving state. Brews or distillers in Alaska could ship to other states that allowed it. He noted that UPS did ship beer. He thought brewers had not expressed particular interest in the subject of shipping prior to the pandemic. He thought Alaska had an unfair law regarding personal importation. The current law allowed breweries and distilleries to ship to Alaska, while Alaskan breweries and distilleries were not allowed to ship directly to consumers in the state.

Senator Wilson was interested in helping to try and level the playing field, and would work with the bill sponsor.

Ms. Brawley addressed slide 34, "RB-6. Revise Title 4 Penalties":

- Review penalties for all Title 4 sections, and revise as needed to make penalties proportionate to the offense, and more consistently enforced.
- Retain existing Misdemeanor and Felony charges for serious offenses, particularly those causing harm to children.
- Ensure that the ABC Board, and licensee, is informed about Title 4 convictions: require court to send records to AMCO, and AMCO to send to the licensee.
- ABC Board retains authority to impose conditions or additional penalties, including suspending or revoking license.
- See Appendix, Table 3 in Title 4 Review Report for table of all current penalties and proposed changes.

Defined throughout; most prohibited acts defined in chapters 11 + 16

Ms. Brawley informed that the remaining slides would deal with penalties. She noted that the stakeholder group had addressed how to rebalance penalties for minor offenses to be dealt with while keeping serious crimes prosecuted at current levels.

Ms. Brawley discussed slide 35, "Proposed: Revise Penalties for Lesser Offenses":

- In current law, almost all violations of Title 4 are Class A misdemeanors.
- When penalties are set high across the board and perceived to be too strict for most offenses, law enforcement is less likely to issue citations and courts are less likely to pursue those cases.
- In the bill, many penalties would become minor offenses. Serious violations, such as selling alcohol without a license, allowing gambling on the premises, or perjury on a license application would remain misdemeanors felonies, as they are today.

Minor Offense (Violation

- Up to \$500 fine (most are \$250)
- Community work service
- Does not require court appearance

Example: Failure to post required warning signs, noncompliance with a permit regulation

Class A Misdemeanor

- up to \$10,000 fine
- Up to 1 year in prison
- 10 years probation
- Requires court appearance

Example: Selling alcohol without a license, knowingly allowing underage sales by employees

Class C Felony

- Up to \$50,000 fine
- Up to 5 years in prison
- 10 years probation
- Requires court appearance

Example: Perjury on state license application (Class B), importing large amounts of alcohol into local option area

Defined throughout; most prohibited acts defined in chapters 11 + 16

Ms. Brawley summarized that the bill proposed to move minor offenses to minor offense or violation charges and allow the ABC Board or another local enforcement agency to issue a fine. Anything that was a serious offense would be retained as a felony or misdemeanor.

10:14:14 AM

Ms. Brawley showed slide 36, "Proposed: Licensee Penalties for Overserving an Adult or Serving a Minor":

(AS 04.16.030 and AS 04.16.052)

- In current Title 4, a licensee or employee who knowingly overserves an intoxicated adult or who serves alcohol to a minor is guilty of a Class A Misdemeanor.
- The bill would change the penalty for both statutes to a Minor Offense, with a \$500 fine.
- In addition to the penalty to the person who commits the violation, the owner of the license would receive an administrative (non-criminal) penalty of \$250. This alerts the owner that a violation occurred, holds them immediately accountable and encourages future compliance.

Employee serves a minor

- Employee receives ticket and \$500 fine from law enforcement
- Licensee receives \$250 administrative from ABC Board

Section 92, 04.16.030; Section 104, 04.16.052;
Sections 127 - 129, 04.16.180

Mr. Brawley discussed incentivizing good behavior of businesses. She emphasized businesses knowing a violation happened, and an incentive for corrective action. She thought the proposed \$500 fine was a stiff penalty for serving a minor. She thought the tickets would allow the

ABC Board to track offenses and know if corrective action was needed.

Senator Wielechowski asked about the standard of knowingly serving a minor. He asked if the charge was proposed to be dropped from a misdemeanor to a \$500 fine.

Ms. Brawley affirmed that the standard was "knowingly" serving a minor. She thought the Department of Law could speak more definitively to the definition. She reiterated that there had been a lack of enforcement of the misdemeanor charge, and the group had discussed the most effective way to go forward.

Senator Wielechowski asked about the potential for additional penalties for multiple offenses.

Ms. Brawley shared that the stakeholder group had discussed the idea of graduated penalties, which was not built into the proposed bill. She reminded that the ABC Board could step in and suspend an operator's license, which was a significant deterrent.

Senator Wielechowski asked how many individuals were charged per year with overserving or serving a minor.

Ms. Brawley did not have current data but recalled that previous data regarding Title IV offenses showed that half of the offenses were related to minor consuming. Vanishingly few of the offenses were to an employee or licensee under the proposed statute.

[10:18:11 AM](#)

Senator Micciche explained that it had taken time for him to support the proposed change listed on slide 36. He had learned that the misdemeanor cases were not being prosecuted and that the courts had higher priorities. He related that the proposed bill provided more enforcement and education with greater available licensing dollars. He emphasized that the proposed system would provide more information for licensees. He thought the proposed change would make the issue more self-correcting as employees would have tickets on record.

Ms. Brawley addressed slide 37, "Proposed: Require Keg Registration":

- Reduces adults' incentive to legally purchase alcohol and supply an underage drinking party.
- Kegs tagged with the purchaser's contact information can be tracked if confiscated at an underage party or other situation where minors are given access to alcohol.
- A person, not a licensee, possessing an untagged keg containing alcohol could be fined.
- Modeled on existing Anchorage and Juneau ordinances.

Licensee sells keg, tags with purchaser information

Party with responsible adults

- Keg returned to licensee, tag removed

Party with underage drinkers

- Ticket to keg purchases for furnishing alcohol to minors

Section 134, 04.21.012

Ms. Brawley stated that the proposed keg registration not only tried to try to help with the problem of underage drinking but used enforcement to address the issue. The proposed keg registration practice was already in place in Anchorage and Juneau. She asserted that the proposal signified a public health best practice.

Senator Wielechowski asked about the penalty for an adult that knowingly purchased alcohol for a minor.

Ms. Brawley stated that for a person not employed by a licensee, the penalty would still be a Class A misdemeanor. The keg registration would be an additional penalty. She imagined that if the keg purchaser was identified as the source of alcohol consumed by underage drinkers, the purchaser would be charged with a misdemeanor.

[10:22:42 AM](#)

Senator Olson understood that currently breweries were not allowed to have live music to perform on the premises, while many manufacturers could have non-profit fundraisers with music. He asked if the bill would allow for a change the treatment of live music.

Ms. Brawley affirmed that the bill would clarify that a brewery, winery, or distillery with a retail license was allowed to have live music on the premises. The bill would make a slight change to allow for closure at 10 o'clock p.m.

Senator Micciche commented that there was a compromise that had occurred two years previously. He recalled that the board had been trying to enforce some regulations for manufacturers facility. Part of the compromise went from a "soft close" at 8 o'clock in the evening to a "hard close" at 10 o'clock in the evening. The bill limited new tasting rooms to one in 12,000. There could be four permitted events per year, as well as community events such as art shows and fundraisers. He recalled that the previous director of AMCO was terminated due to 12 pages of public testimony against the regulations. He thought there was a balance by working with different user groups.

Senator Wilson asked if the bill would allow for curbside pickup.

Senator Micciche answered in the negative but thought allowing curbside pickup would be helpful for the industry. He thought it was a concept worth considering.

SB 9 was HEARD and HELD in committee for further consideration.

Co-Chair Bishop discussed the agenda for the following day.

#

ADJOURNMENT

[10:26:55 AM](#)

The meeting was adjourned at 10:26 a.m.